

Regardless of their sponsorship or geography, studies of the unbanked generally identify a similar set of reasons why people do not have bank accounts, “not having enough money, not trusting banks, the potentially high costs of maintaining a bank account, and the concurrent decision to patronize check cashers.” (Newberger, Rhine, and Chiu 2004, 2). This is consistent with the North Carolina research, which found that the two primary reasons for not owning accounts among lower income unbanked households are high costs, and perceived lack of need. Nearly half of all unbanked families find bank accounts to be too expensive, including almost half of all current welfare recipients, and two-thirds of all unbanked recent leavers. The most commonly cited cost feature is the minimum initial deposit required to open the account: 79 percent of respondents who mentioned a cost-related reason for not owning an account cited the opening deposit specifically.

Ace Cash Express, one of the nation’s largest non-bank financial services provider elaborates on the reasons why approximately 3 million customers visit their more than 1,200 stores each month to purchase a variety of financial services rather than conducting their business at traditional banks:

“For many of these Americans, the business model of the traditional bank does not work. For them, the painful reality of poor or no credit history makes them undesirable to banks, while for others, minimum balance requirements and high overdraft and other fees make maintaining a checking account unrealistic. Even for those who do not establish an account, many simply keep a minimum balance and are unable to build savings, access lines of credit or utilize other basic bank services. The lack of a nearby branch or, multi-lingual tellers and limited hours of operation further contribute to the disenfranchisement of these Americans. Some simply do not feel welcome or comfortable inside a bank” (Ace Cash Express, Inc. 2004, 3)

3. The Impacts of Bank Location on the Unbanked

Campaigns to reduce the number of unbanked come at a time when access to financial services for low-income families has become increasingly problematic. The interplay of many factors—among them the deregulation of interest rate ceilings in the 1980s, new technology, bank mergers, and growing competition from nondepository institutions—has led to a significant decline in the number of financial institutions in the